

1997 Correctional Industries Tax Credit and Recapture Tax

Arizona Form 311

For Assistance

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

Phoenix(602) 255-3381
Other Arizona areas(800) 352-4090
Form Orders(602) 542-4260
Forms by Fax(602) 542-3756
Recorded Tax Information
Phoenix(602) 542-1991
Other Arizona areas ..(800) 845-8192
Hearing impaired TDD user
Phoenix(602) 542-4021
Other Arizona areas ...(800) 397-0256

Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by visiting our web site at:
<http://www.revenue.state.az.us>

The correctional industries tax credit and recapture tax apply only to corporations.

Line-by-Line Instructions

Enter the taxpayer name and federal employer identification number as shown on Arizona Form 120, 120S, or 120X. Fiscal year basis taxpayers must indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal employer identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers failing to include the proper TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing returns.

Part I - Correctional Industries Tax Credit

ARS § 43-1162 provides a tax credit to

corporate taxpayers for the investment in qualified property on the grounds of an Arizona correctional facility, or for the employment of inmates in the Arizona correctional facility, or for the employment of inmates in prison construction (for an Arizona correctional facility).

NOTE: *This credit may be claimed by the S corporation, but the credit may not be passed through to its shareholders.*

Lines 1 through 4 -

The available credit for taxpayers who enter into an agreement is equal to the lesser of:

1. The sum of 50 percent of any investment in qualified property made by the taxpayer during the taxable year as part of the agreement plus 25 percent of the compensation paid to inmates during the taxable year as part of the agreement; or
2. \$100,000.

"Agreement" means an agreement entered into under ARS § 41-1671 between: (a) the Director of the Arizona Department of Corrections, and either (b) the taxpayer, or (c) a partnership in which the taxpayer is a partner. The agreement must be for the purpose of constructing, leasing, or establishing business facilities on the grounds of a correctional facility and for the employment of inmates of the correctional facility.

Line 5 -

Enter the lesser of line 3 or line 4 here and on Arizona Form 300, Part I, line 7. This is the total available credit.

NOTE: *The correctional industries tax credit may not offset a correctional industries recapture tax.*

Part II - Correctional Industries Recapture Tax

Lines 6 through 10 -

If within three years after the end of the taxable year in which the tax credit was taken, the taxpayer ceases to use any of the qualified property as was

contemplated under the agreement, the property will be deemed to be converted and the taxpayer must recapture, in that year, the amount of tax credit previously taken pursuant to a declining schedule.

Line 6 -

Enter the taxable year in which the original correctional industries tax credit was claimed for the property deemed to be converted.

Line 7 -

Enter the month and year the property was converted.

Line 8 -

Enter the total credit amount previously taken in prior taxable years for the property deemed to be converted.

Line 9 -

Enter the percent of recapture for the year the taxpayer ceases to use any of the qualified property investment on the grounds of an Arizona correctional facility. The percent of recapture schedule is as follows:

1. If the conversion takes place within one year after the end of the taxable year in which the credit was taken, the taxpayer must recapture 75 percent (.75) of the amount of the tax credit.
2. If the conversion takes place within the second year after the end of the taxable year in which the credit was taken, the taxpayer must recapture 50 percent (.50) of the amount of the tax credit.
3. If the conversion takes place within the third year after the end of the taxable year in which the credit was taken, the taxpayer must recapture 25 percent (.25) of the amount of the tax credit.

Line 10 -

Multiply the amount on line 8 by the percent on line 9. Enter the result here and on Arizona Form 300, Part II, line 32.